

# *Hospital Provider Fee Oversight and Advisory Board*

February 23, 2016

Presented by: Nancy Dolson



**COLORADO**

Department of Health Care  
Policy & Financing

# *Our Mission*

**Improving** health care access and outcomes for the **people** we serve while demonstrating sound stewardship of financial **resources**



**COLORADO**

Department of Health Care  
Policy & Financing

# *Objectives*

- Proposed 2015-16 hospital provider fee model discussion
  - Hospital provider fee program overview
  - Fees and payments summary
  - Fees and payments methodologies



**COLORADO**

Department of Health Care  
Policy & Financing

# *Hospital Provider Fee Overview*

- Increase hospital reimbursement for Medicaid and uninsured patients
- Fund hospital quality incentive payments
- Expand health care coverage in Medicaid and Child Health Plan *Plus* (CHP+) programs
- Reduce uncompensated care costs and need to shift those costs to other payers

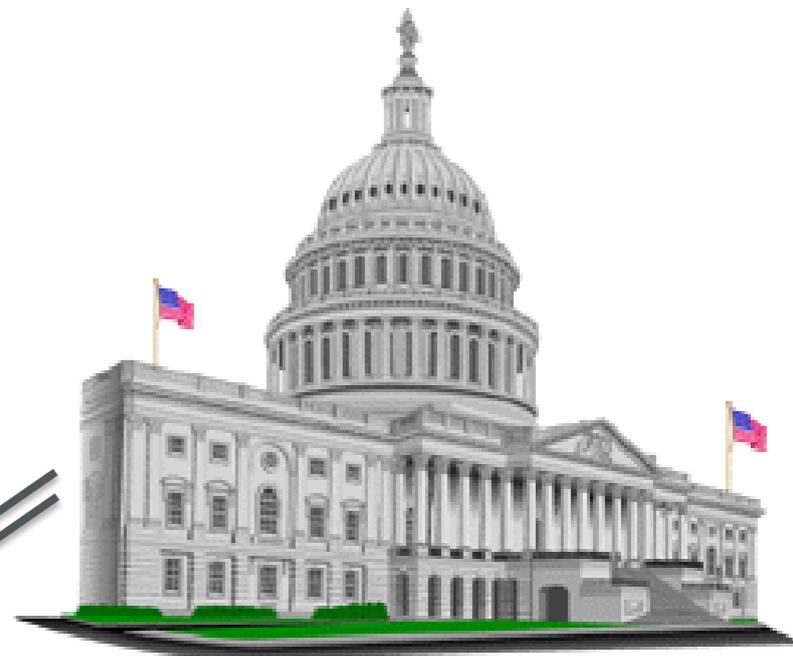


**COLORADO**

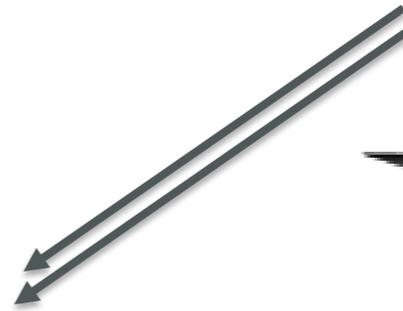
Department of Health Care  
Policy & Financing



Provider Fee from Hospitals



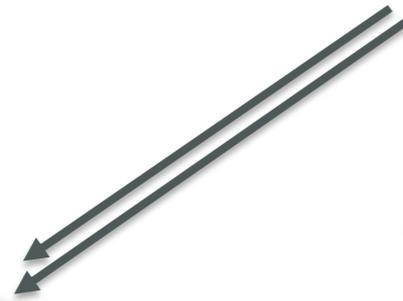
Federal Match from CMS



Cash Fund  
(Provider Fee + Federal Match)



Increased Payment to Hospitals



Expanded Coverage to Colorado Citizens



# *Hospital Provider Fee Overview*

- Net Patient Revenue (NPR) - limits **total** provider fees that can be collected
- Upper Payment Limit (UPL) - limits **total** supplemental Medicaid payments that can be paid
- Disproportionate Share Hospital (DSH) Limit - limits **hospital specific** DSH payments that can be paid



**COLORADO**

Department of Health Care  
Policy & Financing

# *Hospital Provider Fee Overview*

## Net Patient Revenue (NPR)

- Provider fee collection limited to 6% of NPR
- Estimated using historical data inflated forward
- Inpatient NPR equals proportion of inpatient revenue to total hospital revenue, multiplied by total hospital NPR, multiplied by inflation
- Outpatient NPR equals total hospital NPR less inpatient NPR, multiplied by inflation



**COLORADO**

Department of Health Care  
Policy & Financing

# *Hospital Provider Fee Overview*

## Upper Payment Limit (UPL)

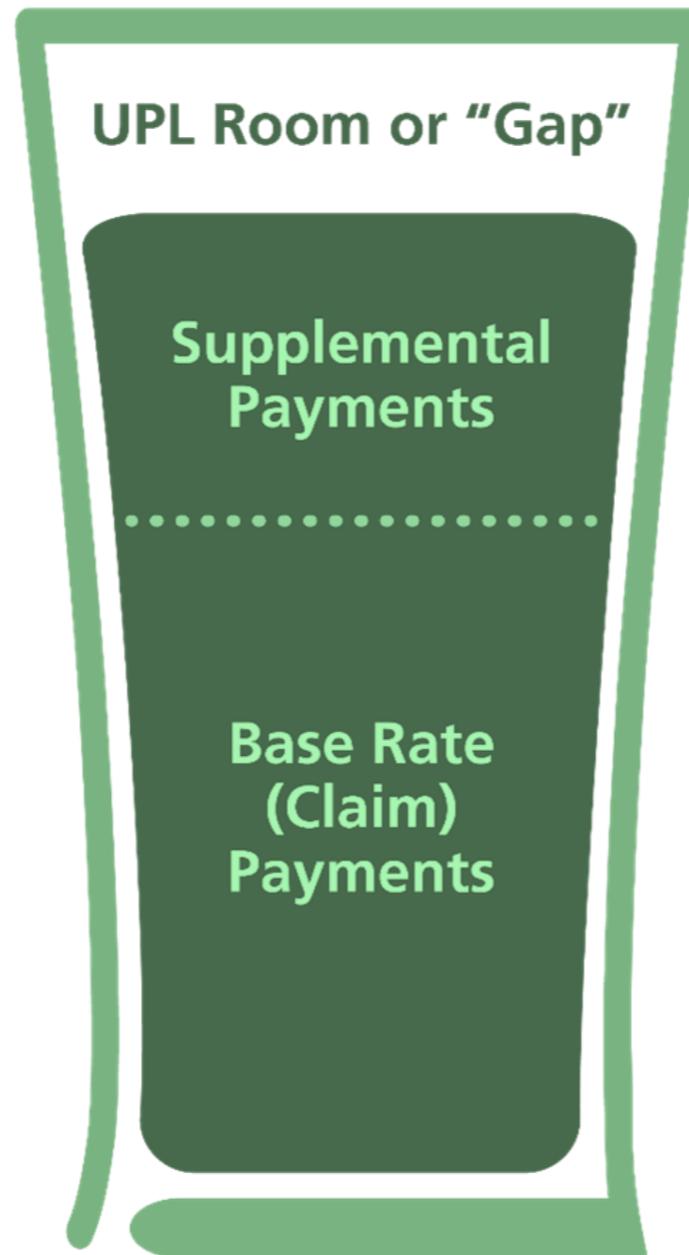
- Supplemental Medicaid payments limited to UPL
- Maximum Medicaid is allowed to reimburse to hospitals
- Aggregate, not hospital-specific limit
- Completed for both inpatient and outpatient
- UPL room equals Medicaid cost plus provider fee less MMIS payments less non-provider fee supplemental payments



**COLORADO**

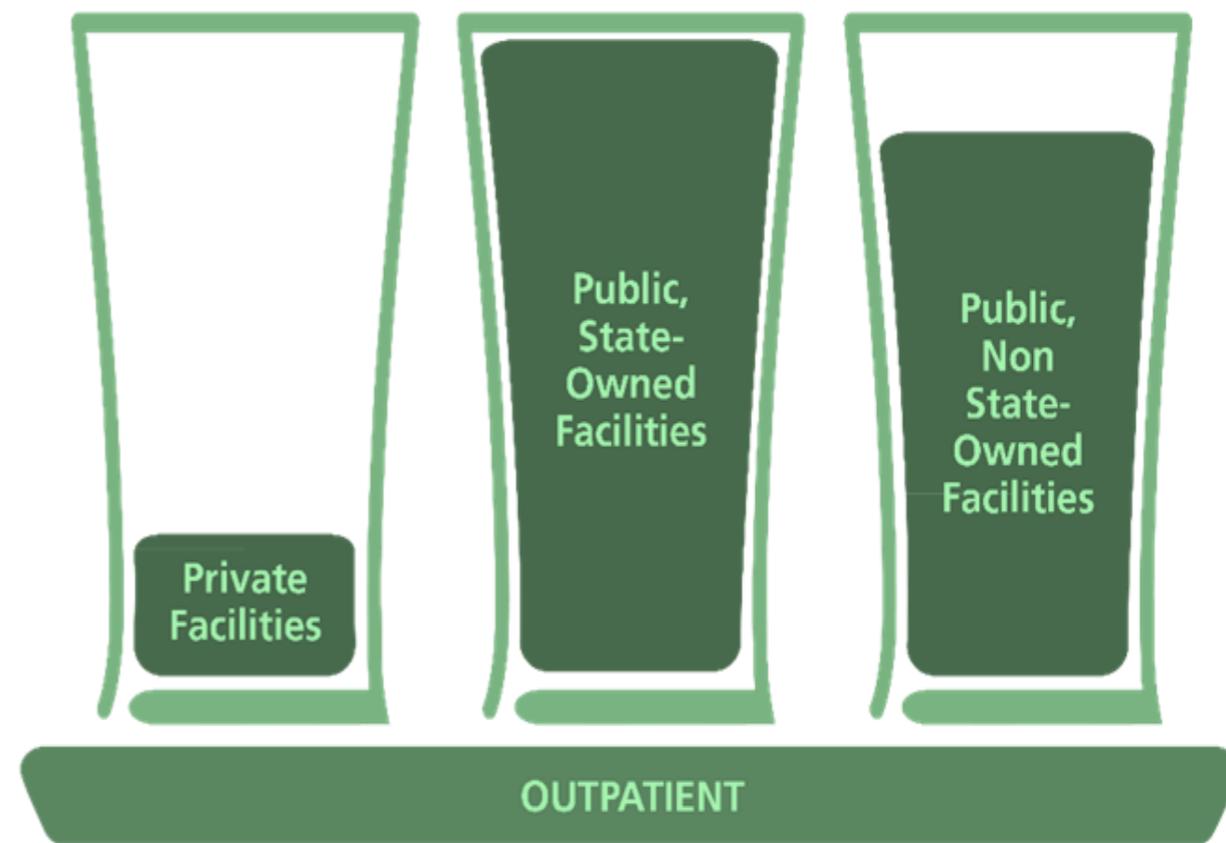
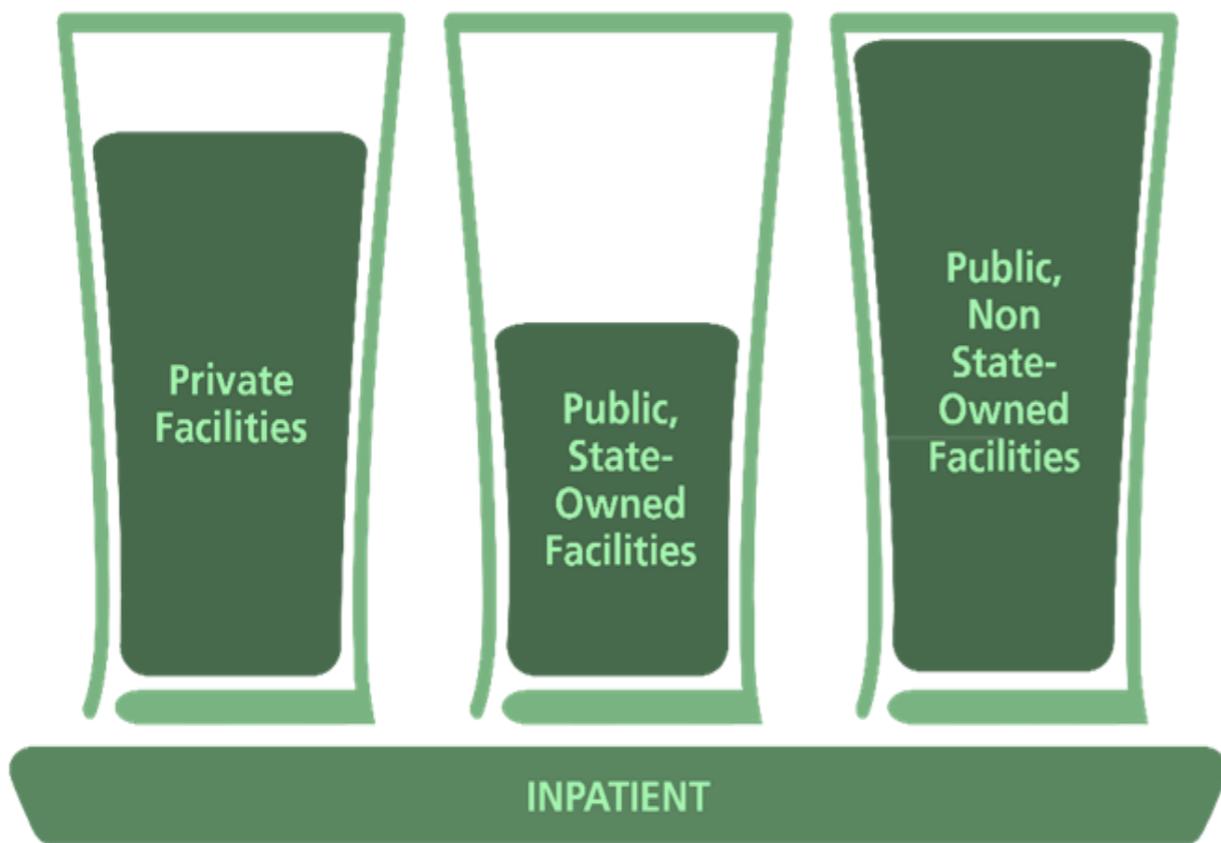
Department of Health Care  
Policy & Financing

# Upper Payment Limit



**CALCULATED UPPER PAYMENT LIMIT: MEDICAID COST**

# Upper Payment Limit



# *Hospital Provider Fee Overview*

## **Disproportionate Share Hospital (DSH) Limit**

- DSH payments limited to hospital-specific DSH limit
- DSH limit equals inpatient and outpatient Medicaid and uninsured costs less total Medicaid payments
- DSH funds exceeding hospital-specific DSH limits must be repaid



**COLORADO**

Department of Health Care  
Policy & Financing

# *2015-16 Hospital Provider Fee Overview*

- Governor's Budget Proposal: fee collection in SFY 2016-17 of \$656 million
- 2015-16 Hospital Provider Fee Model
  - \$668 million fees
    - Net Patient Revenue - 4.95%
  - \$1.12 billion in hospital supplemental payments
    - Upper Payment Limit - 96.3%



**COLORADO**

Department of Health Care  
Policy & Financing

# 2015-16 Hospital Provider Fee Overview

<b>Net Hospital Reimbursement</b>	
Total Supplemental Payments	\$ 1,120,800,000
CICP prior to provider fee	\$ (163,000,000)
Total Fees	\$ (667,800,000)
<b>Net Reimbursement to Hospitals</b>	<b>\$290,000,000</b>

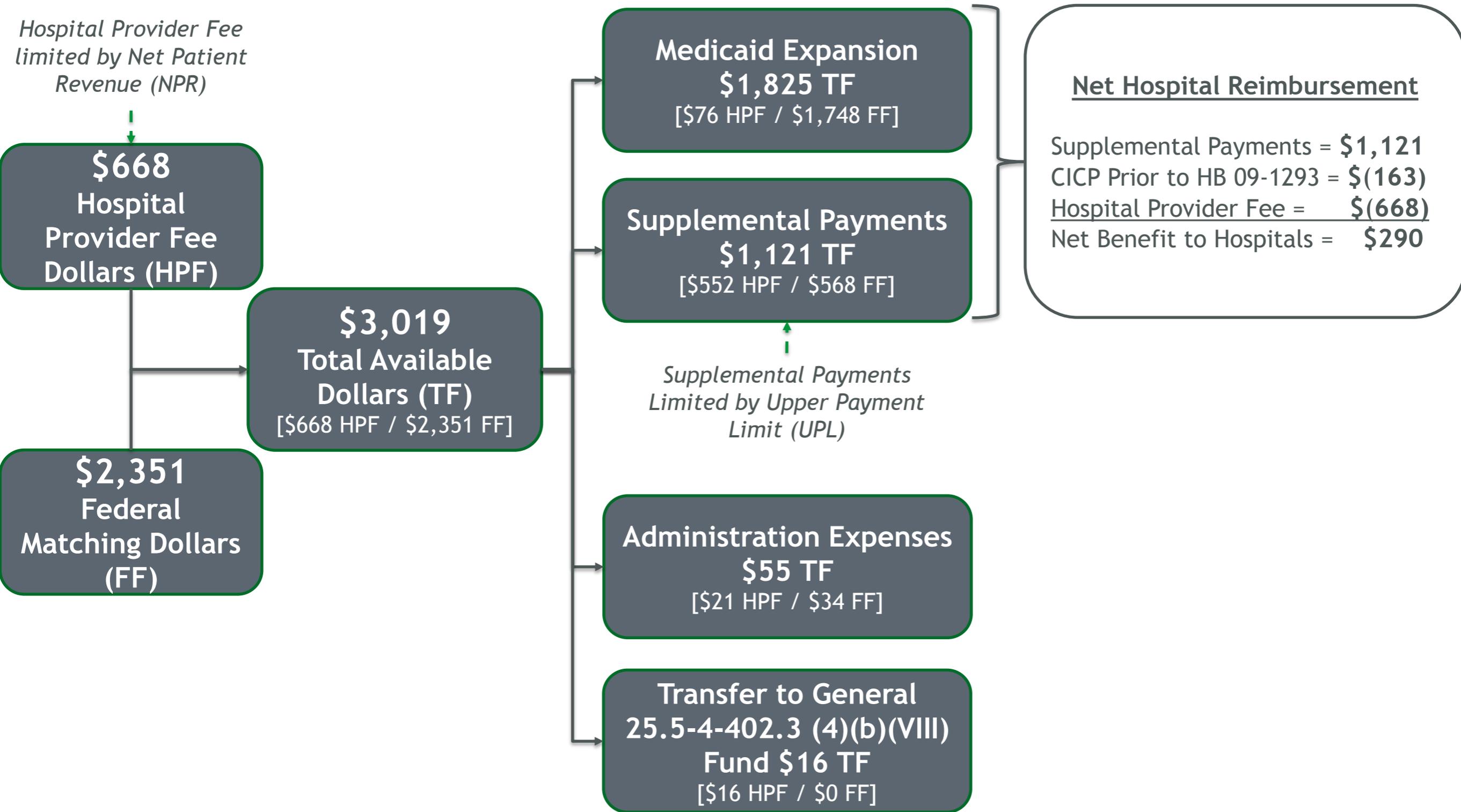


# 2015-16 Hospital Provider Fee Overview

Expenditures	Fees	Federal Funds	Total Funds
<b>Supplemental Payments</b>			
Inpatient (IP)	\$225,100,000	\$231,700,000	\$456,800,000
Outpatient (OP)	\$130,900,000	\$134,600,000	\$265,500,000
Uncompensated Care	\$56,900,000	\$58,600,000	\$115,500,000
Disproportionate Share Hospital (DSH)	\$97,700,000	\$100,500,000	\$198,200,000
Hospital Quality Incentive Payment (HQIP)	\$41,800,000	\$43,000,000	\$84,800,000
<b>Total Supplemental Payments</b>	<b>\$552,400,000</b>	<b>\$568,400,000</b>	<b>\$1,120,800,000</b>
<b>Other Fee Expenditures</b>			
Medicaid Expansion	\$76,400,000	\$1,748,200,000	\$1,824,600,000
<i>Medicaid Parents</i>	\$16,800,000	\$248,500,000	\$265,300,000
<i>Adults without Dependent Children</i>	\$4,000,000	\$1,410,100,000	\$1,414,100,000
<i>Buy-In for Individuals with Disabilities</i>	\$20,500,000	\$21,000,000	\$41,500,000
<i>CHP+ Children and Pregnant Women</i>	\$5,700,000	\$38,300,000	\$44,000,000
<i>Medicaid Children Continuous Eligibility</i>	\$29,400,000	\$30,300,000	\$59,700,000
Administration	\$20,700,000	\$31,700,000	\$52,400,000
Cash Fund Reserve	\$2,600,000	\$0	\$2,600,000
Transfer to General Fund - 25.5-4-402.3 (4)(b)(VIII)	\$15,700,000	\$0	\$15,700,000
<b>Total Other Fee Expenditures</b>	<b>\$117,800,000</b>	<b>\$1,779,900,000</b>	<b>\$1,897,700,000</b>
<b>Grand Total</b>	<b>\$667,800,000</b>	<b>\$2,350,700,000</b>	<b>\$3,018,500,000</b>



# 2015-16 Hospital Provider Fee Overview (\$ in Millions)



# 2015-16 Fees

- Inpatient fee

- Assessed on managed care and non-managed care patient days
- Per non-managed care day: **\$355.49**
- Per managed care day: **\$79.54**
- Total: **\$385.4 million**
- Data source:
  - Total patient days from hospital's 2013 CMS 2552-10 cost report
  - Managed care days reported by hospital
  - Non-managed care days equals total days less managed care days



# 2015-16 Fees

- Outpatient fee
  - Assessed on percentage of total outpatient charges
  - Percentage of total charges: **1.534%**
  - Total: **\$282.4 million**
  - Data source
    - Hospital's 2013 CMS 2552-10 hospital cost report



# 2015-16 Fees

- Fee exempt
  - Psychiatric, long term acute care, and rehabilitation hospitals
- Discounted fee
  - Inpatient fee
    - High Volume Medicaid & CICP hospitals discounted **47.79%**
    - Essential Access hospitals discounted **60.00%**
  - Outpatient fee
    - High Volume Medicaid & CICP hospitals discounted **0.84%**



# 2015-16 Payments

- Inpatient Base Rate Supplemental
  - Increase rates for inpatient hospital care for Medicaid clients
  - Total: **\$456.8 million**
  - Calculation:
    - Hospital Medicaid base rate before add-ons multiplied by case mix, multiplied by estimated Medicaid discharges, and multiplied by percentage adjustment factor
    - Adjustment factors vary for rehabilitation, long term acute care, high volume, teaching, pediatric, rural, and NICU hospitals
  - Data source:
    - Department hospital inpatient base rate calculations



# 2015-16 Payments

- Outpatient Base Rate Supplemental
  - Increase rates for outpatient hospital care for Medicaid clients
  - Total: **\$265.5 million**
  - Calculation:
    - Hospital estimated Medicaid outpatient cost multiplied by percentage adjustment factor
    - Adjustment factors vary for rehabilitation, long term acute care, pediatric, rural, and NICU hospitals
  - Data source:
    - Outpatient UPL calculation



# 2015-16 Payments

- Uncompensated Care Supplemental
  - Reduce uncompensated hospital care provided to persons who are uninsured
  - Total: **\$115.5 million**
  - Calculation:
    - \$23.5 million distributed to hospitals with 25 or fewer beds, based on proportion of beds
    - \$92 million distributed to other qualified hospitals, based on proportion of uninsured cost compared to all qualified hospitals
  - Data sources:
    - Department of Public Health and Environment licensed beds
    - Hospital uninsured cost calculation via data aggregation report



# 2015-16 Payments

- Disproportionate Share Hospital (DSH)
  - Reduce uncompensated hospital care for Colorado Indigent Care Program (CICP) hospitals and other DSH hospitals
  - Total: **\$198.2 million**
  - Calculation:
    - 100% of estimated hospital-specific DSH limit for hospitals whose CICP write-off costs are more than 750% of average
    - 96% of estimated hospital-specific DSH limit for hospitals whose CICP write-off costs are between 200% and 750% of average
    - Remaining DSH funds distributed to qualified hospitals based on proportion of uninsured costs to not exceed 96% of estimated hospital-specific DSH limit



# 2015-16 Payments

- Disproportionate Share Hospital (DSH)
  - Data sources:
    - Hospital-specific DSH limit: Medicaid inpatient, Medicaid outpatient, and uninsured cost calculations via data aggregation report less estimated Medicaid fee for service and supplemental payments from MMIS claims data, Department records
    - Hospital uninsured cost calculation via data aggregation report

# 2015-16 Payments

- Hospital Quality Incentive Payment (HQIP)
  - Payment to hospitals providing services that improve quality of care and health outcomes
  - Total: **\$84.8 million**
  - Calculation:
    - Awarded quality points multiplied by Medicaid adjusted discharges multiplied by dollars per adjusted discharge point
  - Data sources:
    - MMIS claims data, hospital survey, and Colorado Hospital Association (CHA) Hospital Report Card



# *Discussion*



# *Contact Information*

Nancy Dolson  
Special Financing Division Director  
[nancy.dolson@state.co.us](mailto:nancy.dolson@state.co.us)



**COLORADO**

Department of Health Care  
Policy & Financing

*Thank You!*



**COLORADO**

Department of Health Care  
Policy & Financing